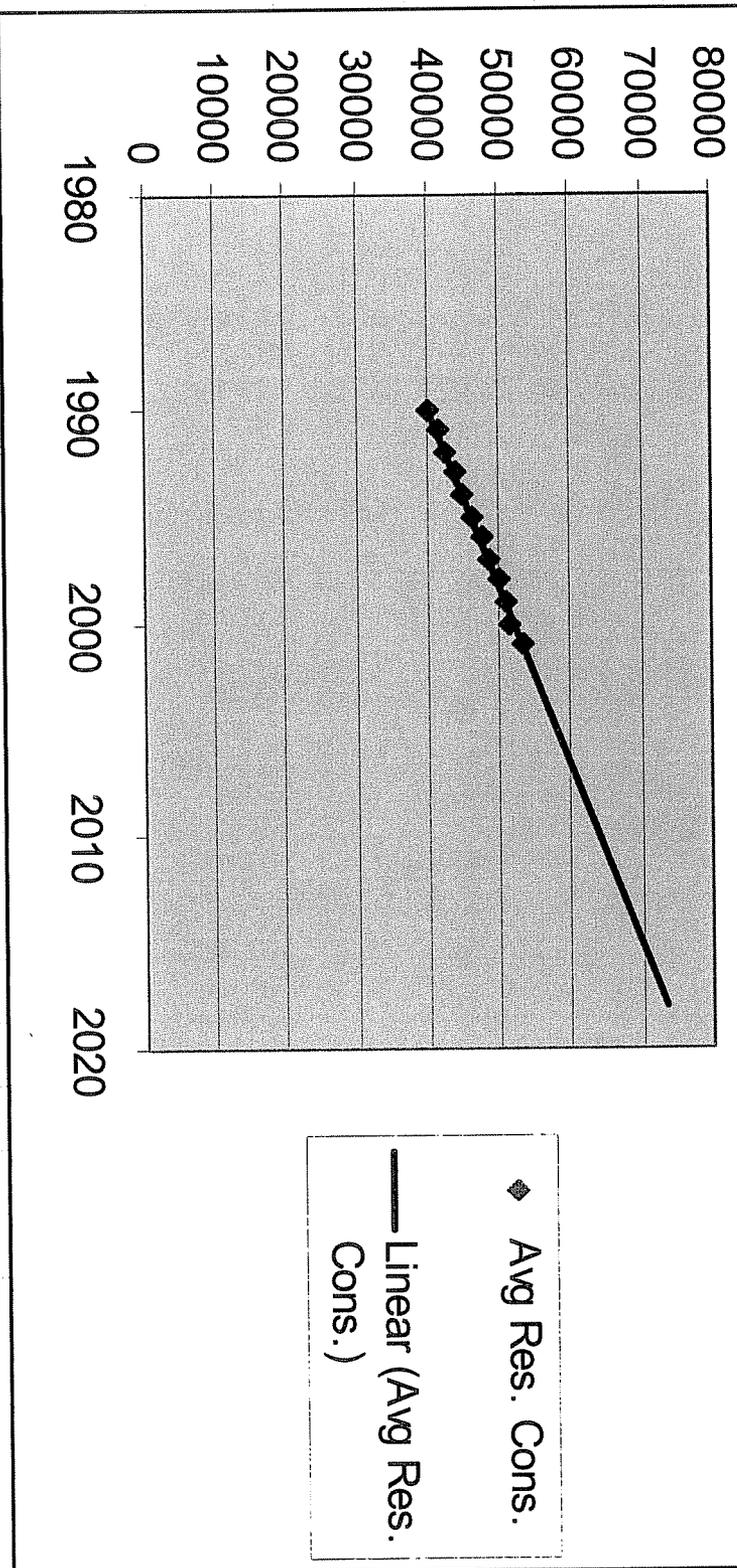


General Observations

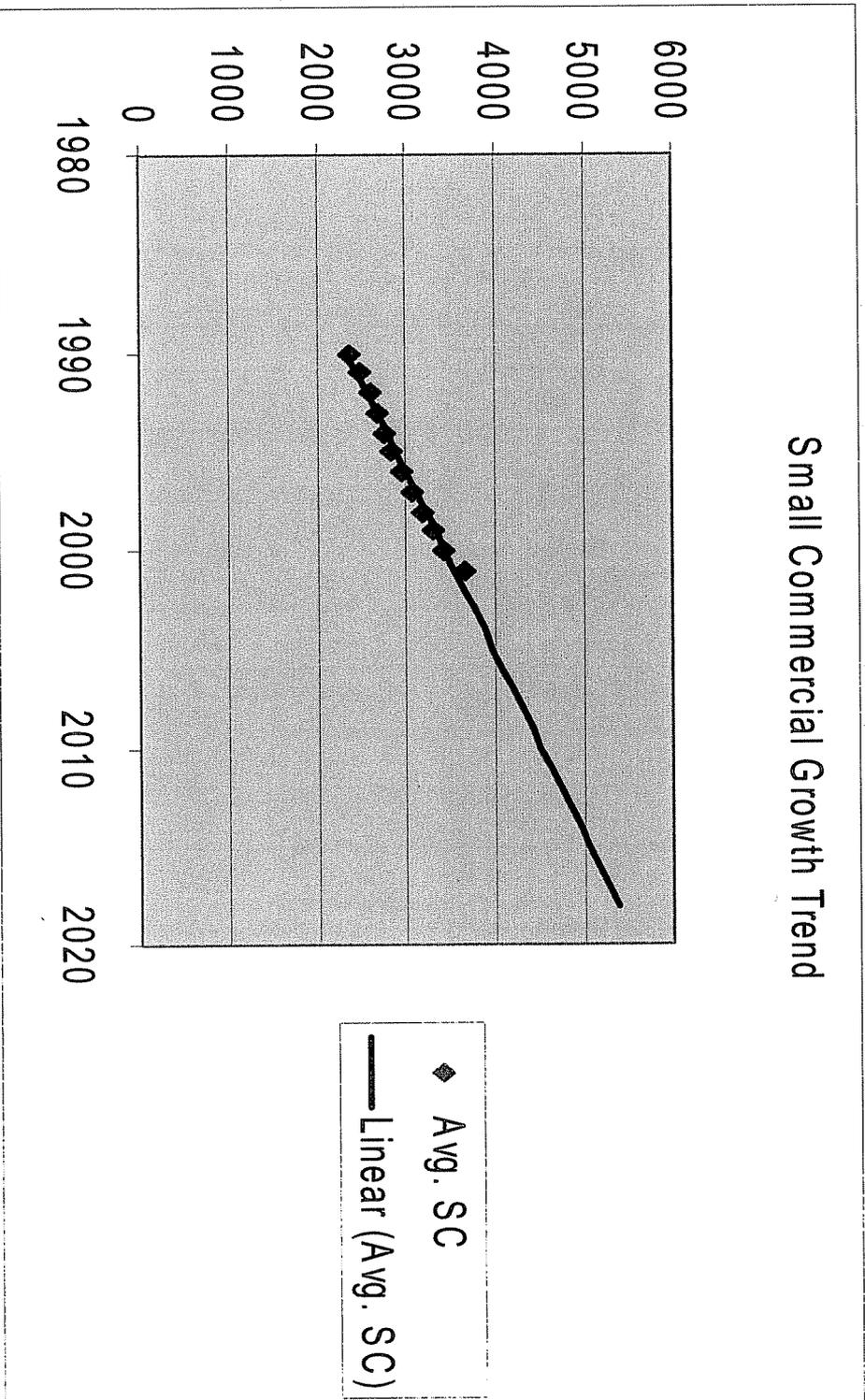
- ◆ South Kentucky RECC at Year End 2001 had 56,857 Consumers and 156 Fulltime Equivalent Employees.
 - A consumer to employee ratio of 364 cons./FTE employees
- ◆ Based on our analysis we feel economies of scale will allow this ratio to increase to approximately 375-400 cons./employees during the period under study. (2003—2018)

Residential Consumer Growth Trend

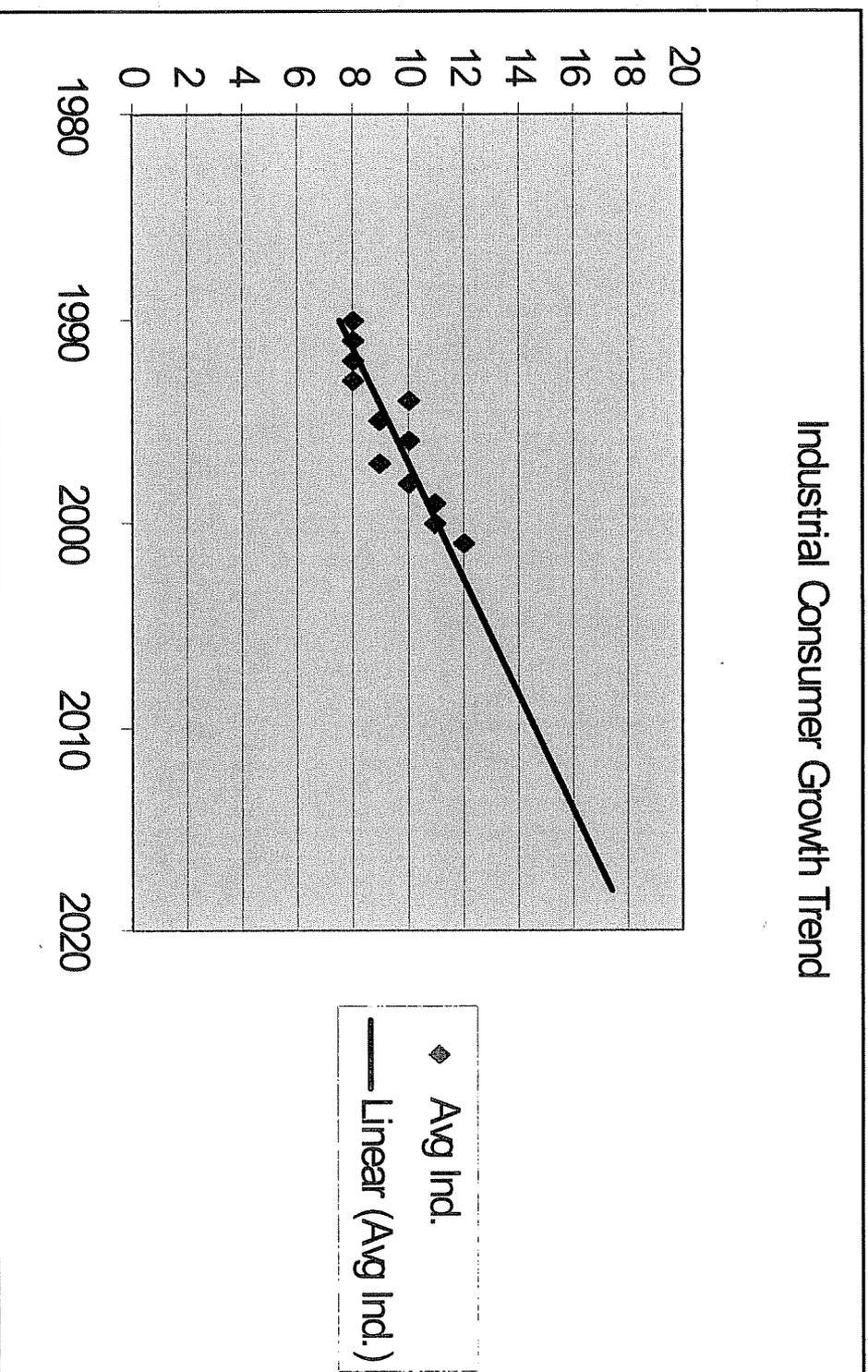
Residential Consumer Growth Trend



Small Commercial Growth Trend



Industrial Consumer Growth Trend



Consumer Growth Trends

- ◆ Based on the Historical Record, Power Requirement and Financial Forecast it Appears South Kentucky RECC Will Grow from Approximately 57,000 in 2002 to Over 82,000 Consumers over the next 15 years.

Consumer Trend by Area

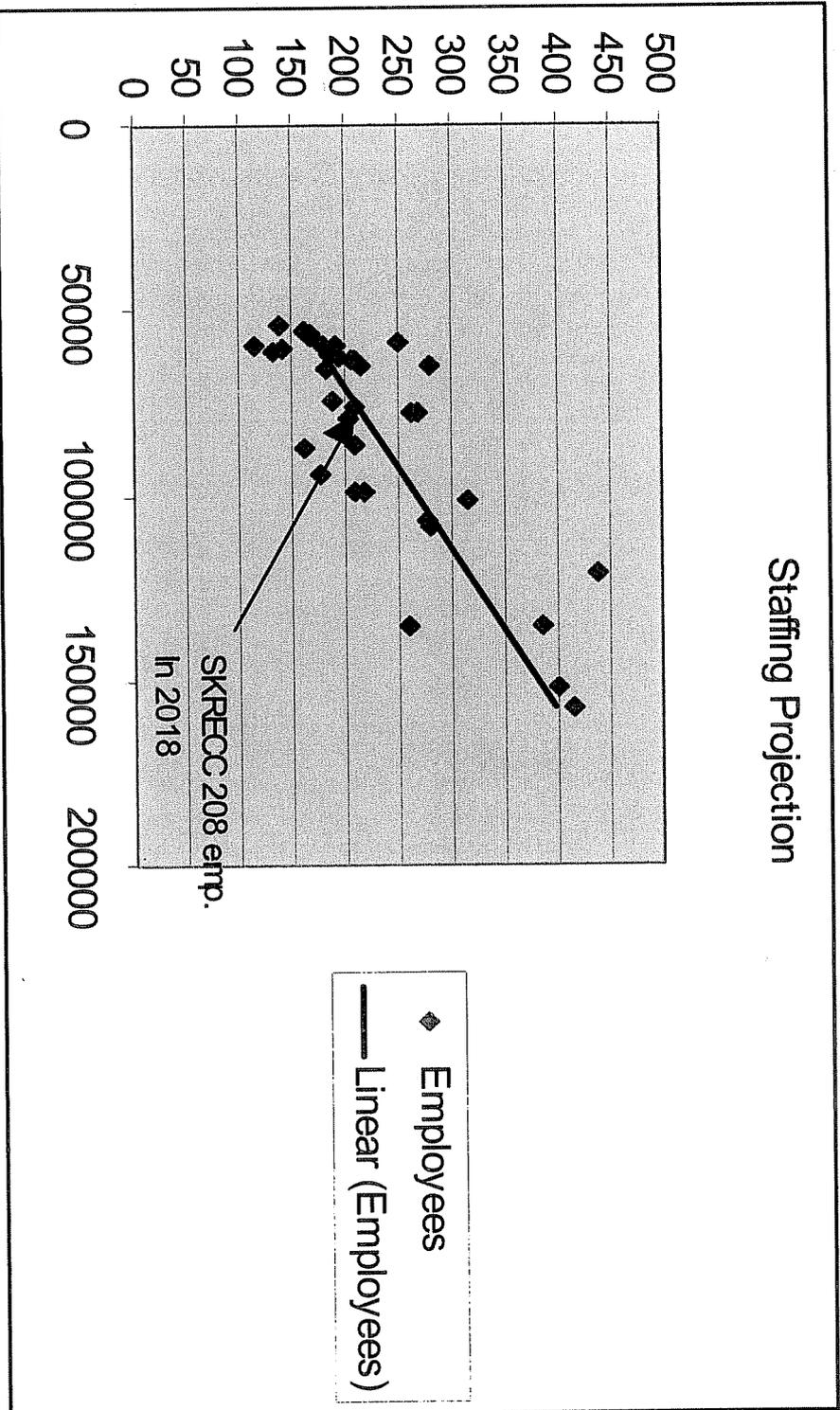
Area	Cons. 2002	% Cons. Distribution	Cons. 2018
Somerset	25,823	45.4%	37,269
Russell Springs	10,218	17.9%	14,694
Albany	6,363	11.2%	9,194
Monticello	8,139	14.3%	11,739
Whitley City	6,388	11.2%	9,194
Total	56,857	100%	82,090

Staffing Forecast

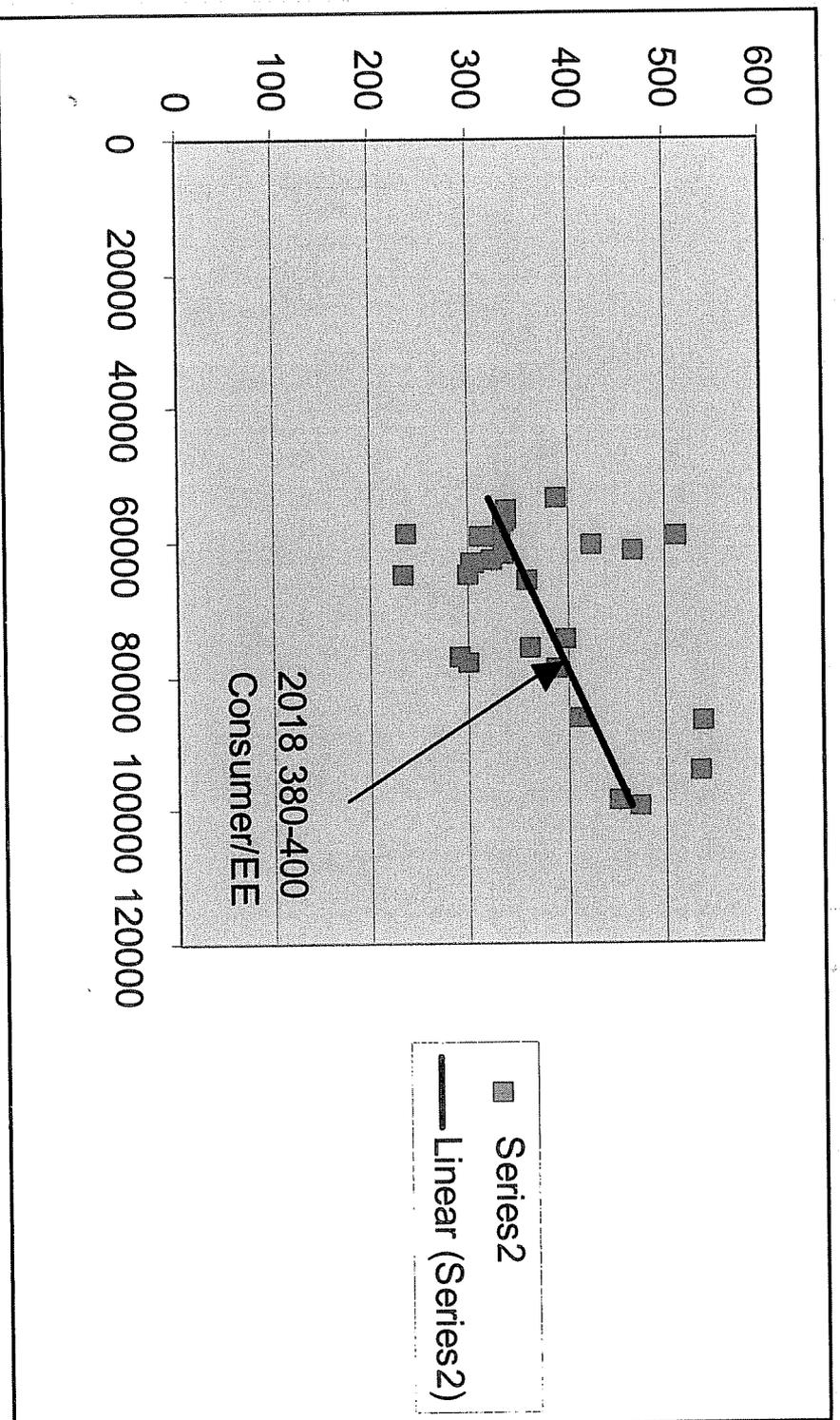
- ◆ Based on comparative analysis and present business practices South Kentucky RECC will employ approximately 205—215 fulltime equivalent people by the year 2018.

Staffing Forecast

Staffing Projection



Staffing Trends



Case Findings for Facilities Requirements

- ◆ Facilities requirement are driven by:
 - The number of consumers serviced.
 - Business practices.
 - Number of employees.
 - Serviceability of Existing Facilities.
- ◆ All indicators point to the requirement to new facilities at the locations being considered.

Staffing Distribution 2002 by Area

Area	# Employees	% Distribution	Projected EEs
Somerset	110	70.1%	143
Russell Springs	13	8.3%	17-18
Albany	9	5.8%	11-12
Monticello	12	7.7%	16-17
Whitley City	12	7.7%	16-17
	156	100%	203-207

Somerset Facilities Requirements

Somerset	Current SF	SF needed	Projected SF	Difference
Office	21,704	27,500	35,750	-14,046
Climate Control Garage, WH, & Shops	29,580	39,500	57,000	-27,420
Cold Storage/Parking	10,225	10,000	10,000	+225
Community Room	2,436	2,436	4,000	-1,564

Russell Springs Facilities Requirements

	Current SF	SF needed	Projected SF	Difference
Russell Springs				
Office	2,391	3,600	5,400	-2,709
Community Room	924	1,200	2,000	-1,076
Climate Control Garage, VH, & Shops	2,000	5,000	15,000	-13,000
Cold Storage/Parking	336	N/A	N/A	N/A

Albany Facilities Requirements

Albany	Current SF	SF needed	Projected SF	Difference
Office	1,651	3,000	3,800	-2,149
Community Room	841	2,000 (Could Use)	2,000	-1,159
Climate Control Garage, WH, & Shops	2,293	5,000	10,000	-7,707
Cold Storage	NA	N/A	N/A	N/A

Monticello Facilities Requirements

	Current SF	SF needed	Projected SF	Difference
Monticello				
Office	1,320	3,000	4,000	-2,680
Community RM	924	1,200	2,000	-1076
Climate Control Garage, WH, & Shops	4,233	11,200	15,000	-10,767
Cold Storage/Parking	588	N/A	N/A	N/A

Whitley City Facilities Requirements

Whitley City	Current SF	SF needed	Projected SF	Difference
Office	2,350	3,000	4,000	-1,650
Community RM	750	1,100	2,000	-1250
Climate Control Garage, WH, & Shops	2,000	7,000	10,000	-8,000
Cold Storage/Parking	288	N/A	N/A	N/A

Land Present and Projected

Locations	Current Land at Office	Minimum for Growth (full service)
Somerset	8.6 acres	25—40 acres depending on farm status
Russell Springs	8.77 acres	7—10 acres
Albany	1.72 acres	7—10 acres
Whitley City	3.4 acres	7—10 acres
Monticello	Less than 2 acres	9.87 acres coop. owned

Construction Estimates

- ◆ We contacted a number of local building contractor with estimates for office space ranging from \$60/SF to \$75/SF and warehouse space from \$20/SF to \$35/SF. Based on the consultants experience the higher level was used for our forecast.

Somerset New Facilities Estimate

Description	Square Feet	Cost
Garage/Shop & Warehouse	57,000 @ \$35/SF	\$1,995,000
Office	35,750 @ \$75/SF	\$2,681,250
Community Room	4,000 @ \$65/SF	\$260,000
Cold Storage/Parking	10,000 @ \$15/SF	\$150,000
Land Purchase	25 Acres @ \$50,000	\$1,250,000
Site Preparation & A&E		\$885,000
Totals		\$7,221,250

Russell Springs New Facilities Estimate (Option I)

Description	Square Feet	Cost
Garage Warehouse	15,000 @ \$35/SF	\$525,000
Office	5,100 @ \$75/SF	\$382,500
Community Room	2,000 @ \$65/SF	\$130,000
Site Work & Engineering		\$166,000
Totals		\$1,203,500

Russell Springs New Facilities Estimate (option II)

Description	Square Feet	Cost
Garage Warehouse	15,000 @ \$35/SF	\$525,000
Office	5,100 @ \$75/SF	\$382,500
Community Room	2,000 @ \$65/SF	\$130,000
Land Purchase	6.9 Acres @ \$24,271	\$169,900
Site Work & Engineering		\$166,000
Total		\$1,373,400

Albany New Facilities Estimate

Description	Square Feet	Cost
Office	3,000 @ \$75/SF	\$225,000
Garage Warehouse	10,000 @ \$35/SF	\$350,000
Community Room	2,000 @ \$65/SF	\$130,000
Land Purchase	10 Acres @ \$10,000	\$100,000
Site Preparation & Engineering		\$185,000
Totals		\$990,000

Monticello New Facilities Estimate

Description	Square Feet	Cost
Garage Warehouse	10,000 @ \$35/SF	\$350,000
Office	4,000 @ \$75/SF	\$300,000
Community Room	2,000 @ \$65/SF	\$130,000
Site Preparation & Engineering		\$175,000
Totals		\$955,000

Whitley City New Facilities Estimate

Description	Square Feet	Cost
Garage Warehouse	10,000 @ \$35/SF	\$350,000
Office	4,000 @ \$75/SF	\$300,000
Community Room	2,000 @ \$65/SF	\$130,000
Land Purchase	10 Acres @ avg. \$33,000/acre	\$330,000
Site Preparation & Engineering		\$250,000
Totals		\$1,360,000

Project Cost Conditions

- ◆ The building estimates are based on prefabricated steel structure such as “Butler Building” and a move to other designs will usually increase cost.
- ◆ The estimated growth in staffing is based on present business practices and maintaining full service area operations

Site Considerations

Options for Land Acquisitions

Pulaski County Sites

Site A

Property is approx. 1.33 mile west of US 27 and KY 80 on KY 80. Property is on left side going east on KY 80. Site is close to connect road to Cumberland Parkway. Property was used as golf driving range and car lot. Sign on land said for lease. Property is owned by Ward Corell 606-679-6316. Will sell needed acres at \$50,000/Acre. Water, sewer, gas

Site B

Property is adjacent to Turner Road which runs parallel to North Side of Cumberland Parkway. Turner Road intersects on the West with Cumberland Parkway and on the East with US 27. Site has approximately 13 acres at \$1,100,000. Property is adjacent to Somerset Plaza on South Side. Property is owned by Alton Blakey. 606-678-5181 (Alton Blakey Ford) Water, sewer & gas

Site C

Property is .2 mile north of intersection of KY 1575 and US 27 on US 27. Site has approx. 2,800 ft road frontage on right side of US 27 going North. Site is approx. 1,500 ft deep. No zoning out of city limits. Ward Corell 606-679-6316 Water (sewer & gas contracted) \$50,000/Acre

Pulaski County Sites

Site D

Property is located behind Landmark Inn about 1.45 mile south of Intersection of Cumberland Parkway and US 27. Site has approx. 250' frontage on KY 1577 (Oak Hill Road). Site consists of 8.9 acres with approx. 8.6 acres level. Property is owned by JV and Roy Garner. Price is \$300,000 or \$33,707 per acre. 606-871-7687. Four more acres are available that joins this property that has US 27 frontage at a negotiable price per acre. Water, sewer, gas.

Site E

Property is approx. 3 miles south of intersection of Cumberland Parkway and US 27 on right side of US 27. Land consists of approx. 24 acres divided into tracks. Two tracks of 200 X 250 fronting US 27 are \$750,000 each and two back tracks are \$400,000 each. Total price \$2,300,000. Price per acre average \$95,833. Owner is Eagle Properties 606-679-4316. Site has water, sewer and not for sure about natural gas. Southern McDonald's is across US 27 from this site.

Pulaski County Sites

Site F

Property is located .5 miles north from US 27 on the Eastern Bypass on the right side. Property consists of approx. 100 acres and is adjacent to Lumber King. Land is gently rolling. Will sell in small or large tracks. Sold 10 acres to Lumber King 3 years ago for \$500,000. or \$50,000 per acre. CV Weddle, Owner 606-679-3554 Land not disturbed. Water & sewer, no gas. Now quoting a price of \$85,000/Acre

Site G

Property is about 1.5 miles East of Intersection US 27 and KY 80 on KY 80. Land is on Left die of road going East on KY 80. Fronts on KY 80 1600' and is about 250' deep. Water, sewer and not sure about natural gas. Property is owned by Jerry Ikerd 606-451-0964. No sewer on site. Will require force main. Force that is on site is 10' that goes to 461 Industrial Site. If all is purchased price is \$1,200 per ft. Approx. \$1,200,000.

Pulaski County Sites

Site H

Property belongs to East Kentucky Power and is located .75 mile from intersection of US 27 & KY 90 on US 1247. Property front KY 1247 about 1,000 ft or more. Land is undisturbed farm land that is gently rolling. Several acres but exact number unknown. Improvements are in the KY DOT 6 yr plan for 1247. Land right of way acquisition is scheduled for 2004. Water, no sewer or gas. Price is negotiable 859-744-4712

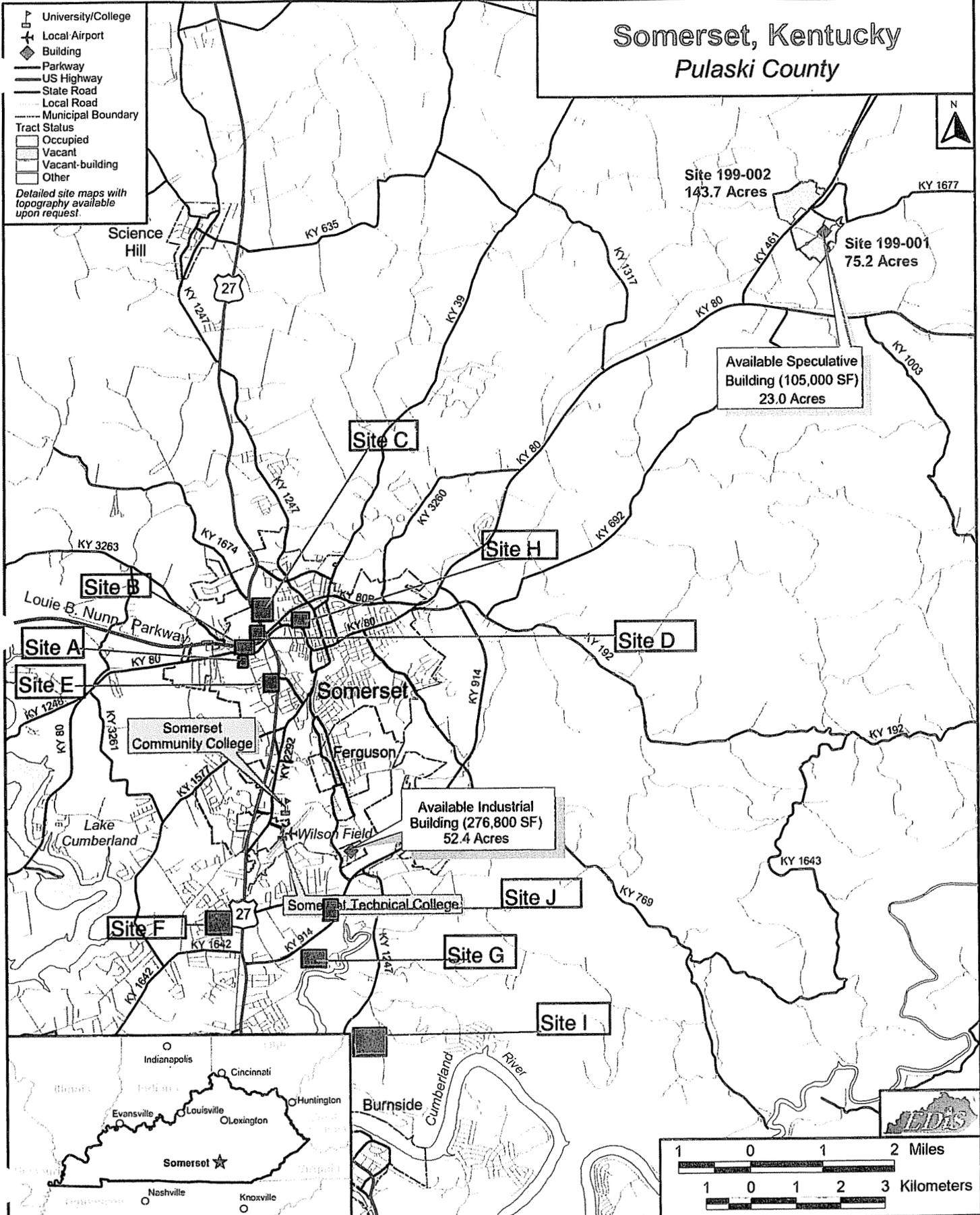
Site I

Property located 2.5 miles east from US 27 on left side of road on KY 914 By Pass. 21+ acres. DC Trimble, Inc. Owner 606-679-5086. \$42,500 per acre for a total of \$892,500. Water, no sewer(sewer is on other side or RR tracks). Lays well.



Somerset, Kentucky

Pulaski County



For more information contact the Kentucky Cabinet for Economic Development, Department for Business Development, Capital Plaza Tower, 500 Mero Street, Frankfort, Kentucky 40601 Tel: (502) 564-7140 Fax: (502) 564-3256 www.thinkkentucky.com/edis/

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McCreary County Sites

Site A

2 acres commercial location on going south on right hand side of US 27 before 192 intersection. Property joins McCreary National Branch Bank and McCreary County Board of Education.

Frontage 2 lots--1 acre each at \$150,000/acre. Parcels behind frontage up to 35 acres \$15,000 to \$20,000 negotiable. Cost to fit needs, approximately \$290,000--\$300,000. This is Pine Knot area.

Jerry Stephens
1-606-354-4800

Site B

Stearns

10 acres at the intersection of US 27 and KY 92. Land is divided by KY 92 with 3 acres on south side of KY 92 and 7 acres on north side of KY 92. All land fronts on US 27. Asking price of \$400,000. Will subdivide. Land has steep topography. Undisturbed.

Water, sewer, gas
Mr. Butch Spencer
954-294-0825

McCreary County Sites

Site C

Whitley City

Approximately 1 acre with 11,000 sq ft metal pre fab building being the old Food Fair Store with parking lot paved. Approximately 150' road frontage US 27 approx 200'

Water, sewer, gas

\$335,000

Whitley Investment Co

606-871-7687

Site D

Whitley City

Stephens Property fronts US 27. Potential different partials possibly available for long term lease ranging in various sizes. Property is across from existing South KY RECC Facilities.

Rick Stephens

606-376-5602

McCreary County Sites

Site E

Campbell Property north of Whitley City on US 27 is not available for sale or lease at this time. (Site work for SKRECC needs would not fit into Mr. Campbell's overall scope of work for the total 194 acres.) Stated he would prefer to do all of the site work at one time and cost will range from \$1- \$1.5 million.

Site F

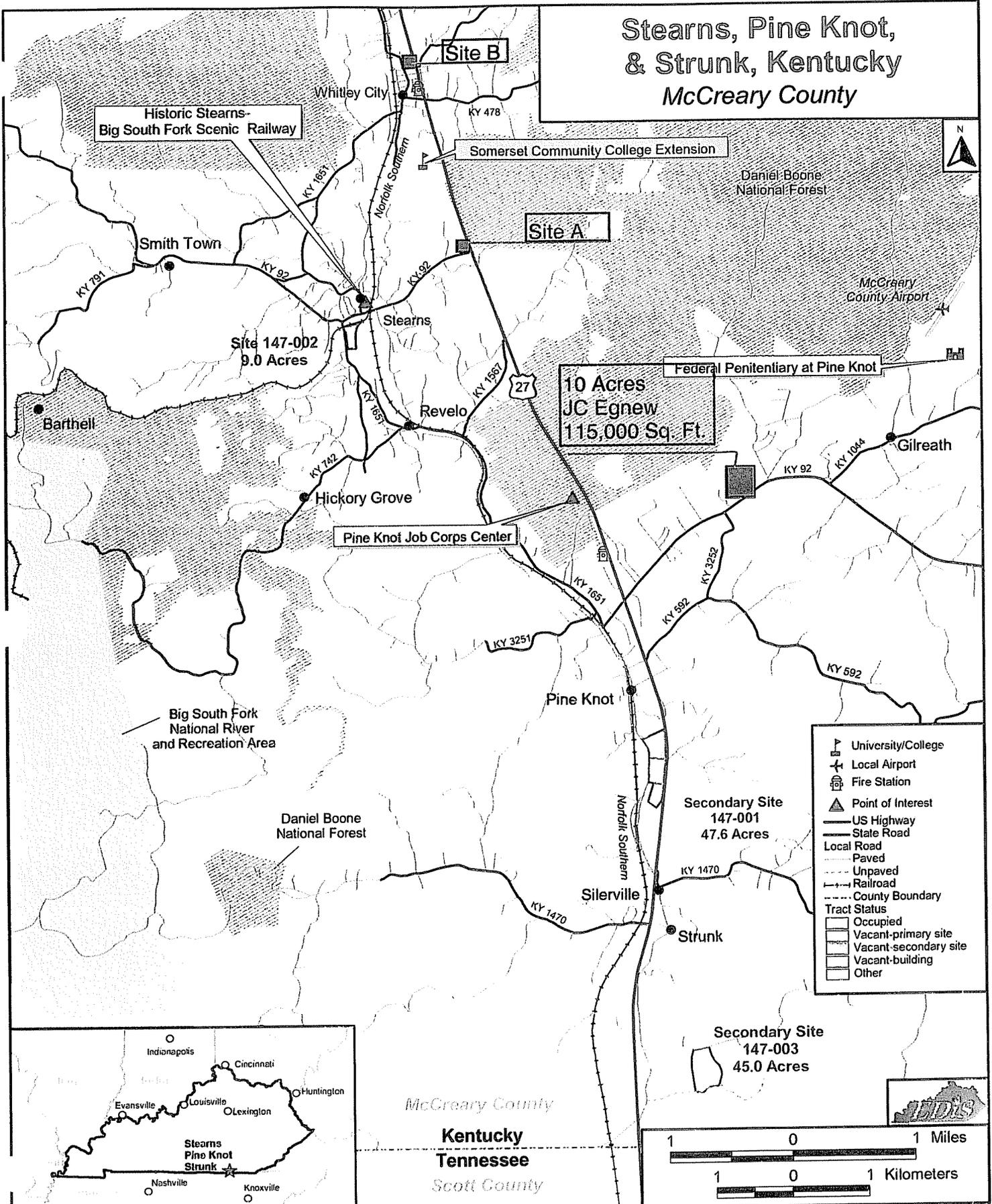
Wayne Prichard Property at intersection of US 27 & KY 700. 3 ½ acres, some level, back side steep.

Water, sewer

\$900,000 or \$45,000 lease for 20 years at no interest.



Stearns, Pine Knot, & Strunk, Kentucky McCreary County



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www.thinkkentucky.com/ecis/

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Map date: 7/22/2002

Clinton County Sites

Site A

Clinton County Industrial Park. Acreage available 1 – 5 @ approximately \$6,000 per acre. Located two miles east of Intersection of US 127 & KY 90. Water and sewer. Some sites are to grade in mini business park but not in other areas.

Site B

Three acres located 1.75 miles east of intersection US 127 and KY 90 on KY 90. Property is next to Clinton County Industrial Park. About 500' of road frontage on KY 90. Site is undisturbed gently rolling. Site has water 11" but no sewer. Owner is Mr. Bethel Williams. Asking price is \$75,000

Site C

Four and one half (4.5) acres located in Albany on US 127 adjacent to US Post Office. Property is gently rolling and is boundaried by US 127, Cedar St, and Maple St. Property has water, sewer, and natural gas. There are two old white wood sided houses located on property adjacent to US 127. Property is listed by Davis Realty (Robbie Davis) 606-387-4298. Asking price for property is \$450,000. Realtor feels owner will subdivide and would negotiate on price. Property could accommodate all future growth needs for SKRECC.

Clinton County Sites

Site D

Property is the Old Clinton County Library. Located on KY 1590 (Burkesville St) adjacent to SKRECC office. Built in 1950's flat roof and approximately 5,000 sq ft. Property fronts KY 1590 with about 100' of frontage. About ½ acre of land. Owner is the Clinton Co Library Board. Asking price is \$100,000. Building has several cracks in brick veneer from top to bottom. I was informed on 9/30/02 that property may be in negotiation for sale to Mr. John Barber who owns the old Polston Chevrolet Garage Property directly across the street. Mr. Barber's father in law is Hobart Barber at 606-387-4135. Property has remodeling potential. Flat roof is hindrance. Community room capability but has no need in Clinton County at this time.

Site E

Property is known as the Polston Chevrolet Garage and sale lot property. Property has approx. 400 ft of road frontage on KY 1590 (Burkesville Rd). It has water, sewer, and gas. The lot is approx. 300 ft deep. Property has old block garage building with about 4 bays and a show room. Building would be about 10,000 to 15,000 sq ft. Property was purchased at auction about 3 years ago for less than \$300,000. Mr. Hobert Barber phone # is 606-387-4135. Site could be made into a good maintenance and storage facility for SKRECC.

Clinton County Sites

Site F

Site adjoins SKRECC property on South West Side on lot. Is about 75' wide and 200' deep. Property has water, sewer and gas and has about 800 sq ft wood sided house. Davis Realty has listing and are asking \$31,500.

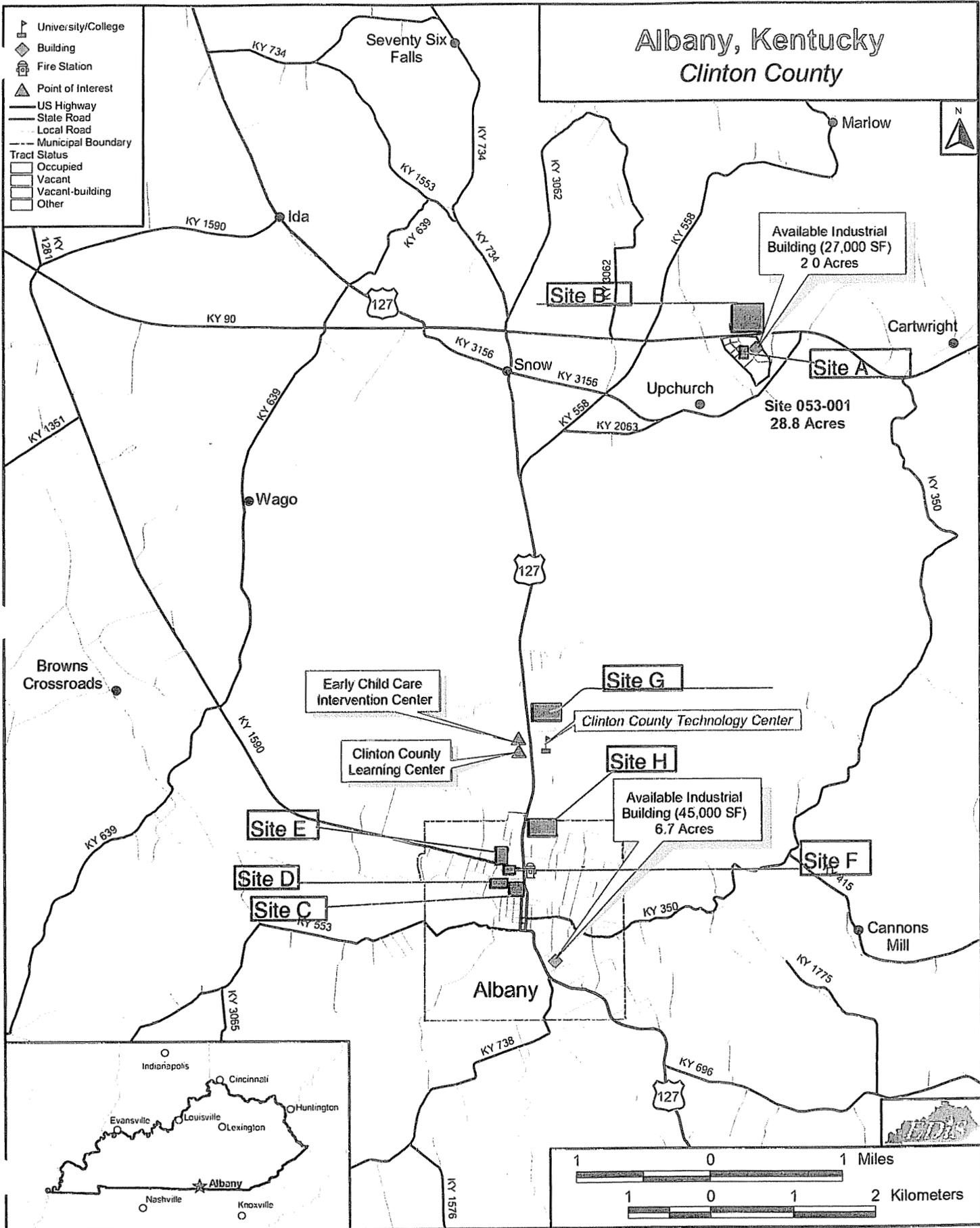
Site G

Site is located adjacent to Somerset Gas Station on the North side on US 127. Site has about 185' of road frontage and is about 175' deep. Site is directly across from the Superintendent of Schools office. Site is level and has water and gas. Sewer is about 100' south of site. Site is level and could accommodate SKRECC future office needs but would have limited construction space growth for existing and future growth. Site is owned by Robbie Davis and asking price is \$37,500. 606-387-4298

Site H

Site is located in North Albany City Limits adjacent to US 127. Property has approx 300' frontage with blacktop road running through the center of the property about 1000'. Site has been excavated to grade. Sewer, water and gas on site. Property is owned by Mr. Ward Corell. 606-679-1813. Price per acre is not determined.





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Russell Springs Sites

Site A

Middletown

370 ft Frontage on 127

6.9 Acres

Water, Sewer

\$169,900. 10% down to hold for 30 days

\$24,271. per acre

Steve Poff

Cell - 270-566-1198

Home - 270-866-9050

Site B

Middletown

850 ft Frontage on 127

30 Acres (will subdivide)

Water, sewer

\$1,695,000.

\$56,500. per acre

Jimmy or Jack Hudson

270-343-5264

Russell Springs Sites

Site C

Russell Springs

400 Ft Frontage on US 127

200 Ft Frontage on Cortez

2.73 Acres

Water, Sewer, Gas

Land cut to grade

\$575,000

\$210,622 per acre

Golden Rule – Wilson Real Estate

270-384-1111

Site D

Russell Springs

300 Ft Frontage on Bernard Lane

12 acres

Water, Sewer, Gas

Land is generally level, no earth work

\$360,000

\$30,000 per acre

Lake Cumberland Real Estate

270-866-6400

Russell Springs Sites

Site E

Russell Springs

4.8 acres adjacent to Cortez Rd and Andrew Rd.

Water, Sewer, Gas

Site graded all level

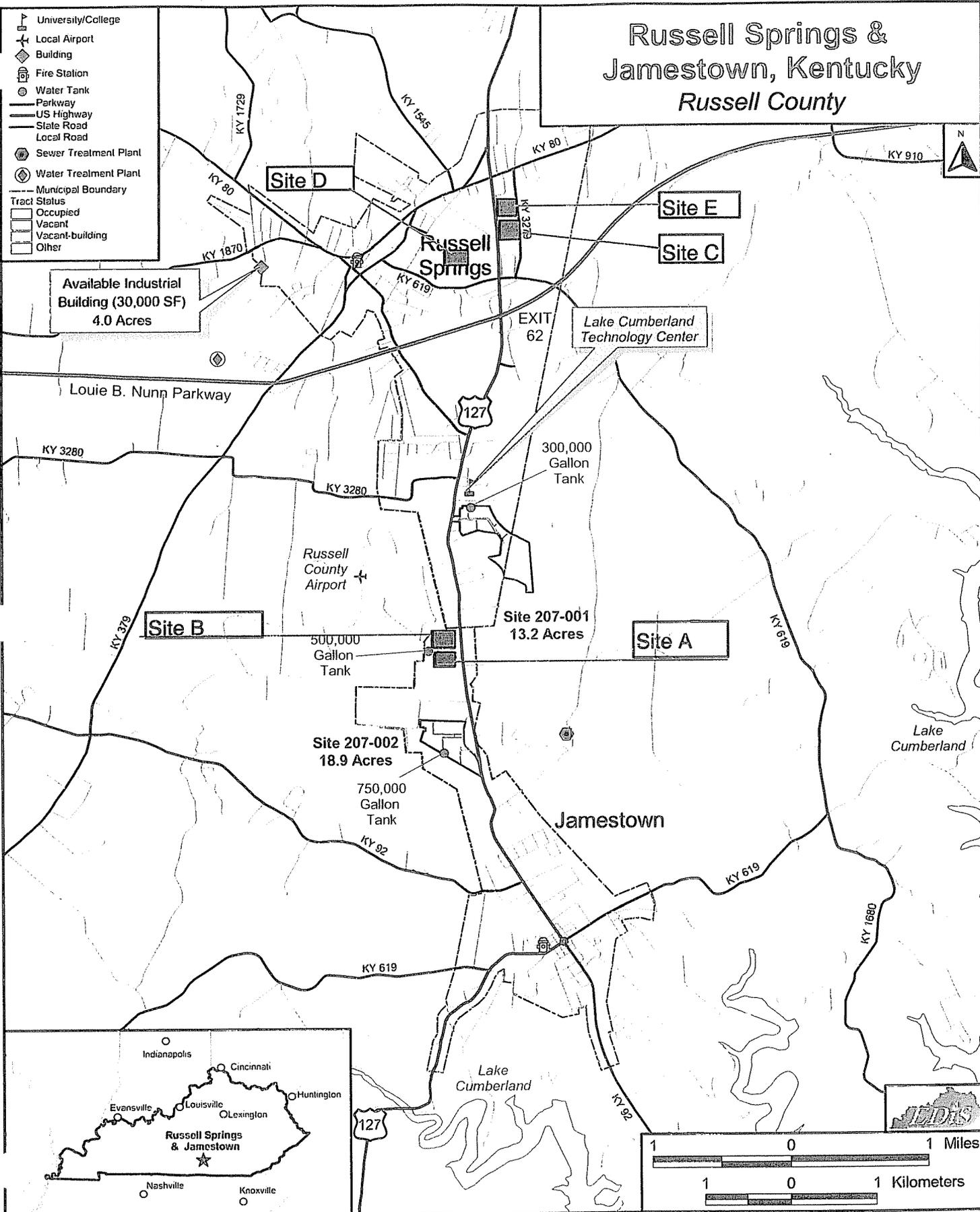
\$400,000 (will NOT subdivide)

\$83,333 per acre

Lake Cumberland Real Estate

270-866-6400





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Detailed site maps with topography available upon request
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Project Cost Conditions

- ◆ The estimate for land cost and site preparations will vary with area and terrain and may be low in this estimate. These are vary preliminary utilizing a blind call approach in contacting owners/realtors and builders.

Cost Summary

Location	Estimated Cost
Somerset	\$7,221,250
Russell Springs	\$1,373,400
Albany	\$990,000
Monticello	\$995,000
Whitley City	\$1,360,000
Estimated Total	\$11,939,650

Potential Cost Recovery

Location	Estimated Sale
Somerset	\$1,700,000
Russell Springs	\$200,000
Albany	\$150,000
Monticello	\$100,000
Farm Land 74.6 Acres	\$500,000
McCreary	\$100,000

General Criteria

Building and layout criteria
observations for todo,

Considerations for Building

Layout

- ◆ Design One Story Facility
- ◆ Provide Conference Room in the Proximity of Each Work Section.
- ◆ Position Rest Rooms in the Proximity of Concentrated Work Areas for each work section and member use.
- ◆ Position Warehouse with Ready Access for Operations and Engineering Personnel.

Considerations for Building

Layout

- ◆ Based on the employee culture consider a wellness center
- ◆ Where possible space should be multi-use, (crew room as training room, and meetings),
- ◆ Sufficient space to establish a modern dispatch center with war room for emergencies and special projects. (Should be contiguous to Engineering, Operations and Call Center.)

Observations & Summary

- ◆ The cooperative should continue to grow in consumers and load over the next 15 year.
- ◆ Growth will continue to stimulate the need for additional staff.
- ◆ The present facility is beyond it's useful life, and will require significant renovation and expansion.